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October 5, 2009

International Financial Reporting Interpretations Committee
30 Cannon Street,
London EC4M 6XH
United Kingdom

Dear Sirs,

This letter is the response of the staff of the Canadian Accounting Standards Board (AcSB) to the IFRIC's Draft Interpretation D25 on Extinguishing Financial Liabilities with Equity Instruments, dated August 2009.

The AcSB staff discussed this Draft Interpretation and solicited comments from individual members of the AcSB. The views expressed in this letter take into account their comments. However, they do not necessarily represent a common view of the AcSB or staff. Views of the AcSB are developed only through due process.

We agree with the consensus proposed in the Draft Interpretation and the rationale explained in the Basis for Conclusions, except that we have a concern regarding the practicality of the measurement requirement as set out below.

We are concerned that the proposal to permit equity instruments issued to be measured, "at the fair value of the equity instruments issued or the fair value of the liability extinguished, whichever is more reliably determinable," may not achieve the intended relief from practical difficulties. Though an entity is able to select whether to measure the equity instrument or the

liability extinguished, we are concerned that, unless it is evident which fair value is more reliable, an entity may have to determine both fair values in order to make that assessment and to provide sufficient evidence to their auditors. To reduce that burden, we recommend that the phrase “whichever is more reliably determinable” be replaced by “provided that the approach chosen results in a faithful representation of fair value.”

Though we are concerned with the use of hindsight when determining fair values, we agree with the IFRIC that it is preferable to require entities that could apply the Draft Interpretation retrospectively to do so, rather than requiring all entities to apply it prospectively to future transactions. We also agree that first-time IFRS adopters may apply the same transition requirements as existing IFRS preparers and support the amendment proposed to IFRS 1.

We would be pleased to elaborate on any of our comments in more detail if you require. If so, please contact Peter Martin, Director Accounting Standards at +1 416 204-3276 (e-mail peter.martin@cica.ca), or Rebecca Villmann, Principal Accounting Standards at +1 416 204-3464 (e-mail rebecca.villmann@cica.ca).

Yours truly,

A handwritten signature in black ink that reads "Peter Martin". The signature is written in a cursive, slightly slanted style.

Peter Martin, CA
Director,
Accounting Standards